The FARMER'S SHARE OF THE CONSUMER'S FOOD DOLLAR

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U.S. DEPARTMENT OF AGRICULTURE

Retail prices used in this leaflet are those obtained by the Bureau of Labor Statistics. The farm prices are principally those published by the Bureau of Agricultural Economics.

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Prepared by the *Bureau of Agricultural Economics* [1]

WHENEVER food prices rise noticeably, consumers want to know how much the farmers are getting out of these higher prices they are paying.

Farmers look at the prices paid in the cities and then at the prices they are being paid for their products, and they want to know what becomes of the difference between the two figures.

In attempting to answer these dual questions the best available figures have been brought together from different sources. They answer the consumers' questions rather better than they do the farmers'. In neither case do they give us as exact information as we wish, but they are suggestive and significant.

Average Family the Basis

The annual food budget of the average city workingman's family is used as the representative example. Fifty-eight foods are considered. The money spent for these 58 foods is about three-fourths of the amount spent for all foods by the average city workingman's family. This family spent $311 in 1939 for these 58 foods shown in the tabulation on page 2 as compared with the $264 spent in 1933, when the depression low point was reached in prices paid for foods.

What the Farmer Received

What did the farmers receive for these foods during those 2 years? In 1939 they received $126 of the retail price, and in 1933 they received $92. These figures are exclusive of rental and benefit payments that were made to farmers during those years.

This difference between the price paid by the consumer and the amount received by the farmer is the margin that goes to processors, transportation agencies, and distributors for carrying on their functions (fig. 1). This margin was $185 in 1939 and $172 in the low-price year 1933, including about $2 for processing taxes. A striking feature of the data regarding the 58 foods (fig. 1 and table 1) is the stability of the margin during the last 6 years. In 1939 the margin reached the lowest level since 1933.

[1] From a technical study conducted by Richard O. Been and Frederick V. Waugh, this leaflet was prepared by Caroline B. Sherman.

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THE 58 FOODS AND THE ANNUAL CONSUMPTION [2]

Commodity	Annual consumption per family
Beef products (5 foods)	178 pounds.
Pork products (5 foods)	145 pounds.
Lamb products (4 foods)	18 pounds.
Dairy products (4 foods)	2,530 pounds of milk equivalent.
Hens	24 pounds.
Eggs, fresh	61 dozen.
Bread, white	395 pounds.
Bread, rye	32 pounds.
Bread, whole wheat	5 pounds.
Soda crackers	15 pounds.
Flour, white	260 pounds.
Corn meal	69 pounds.
Rolled oats	40 pounds.
Corn flakes	12 8-ounce packages.
Wheat cereal	4 28-ounce packages.
Rice	32 pounds.
Macaroni	21 pounds.
Hominy grits	6 24-ounce packages.
Apples	204 pounds.
Oranges	7 dozen.
Lemons	4 dozen.
Beans, green	37 pounds.
Cabbage	65 pounds.
Carrots	27 bunches.
Celery	9 stalks.
Lettuce	28 heads.
Onions	66 pounds.
Potatoes	706 pounds.
Sweetpotatoes	54 pounds.
Spinach	10 pounds.
Peaches, canned	2 No. 2½ cans.
Pears, canned	1 No. 2½ can.
Asparagus, canned	⅕ No. 2 can.
Pork and beans, canned	7 1-pound cans.
Green beans, canned	2 No. 2 cans.
Corn, canned	8 No. 2 cans.
Peas, canned	8 No. 2 cans.
Tomatoes, canned	14 No. 2 cans.
Prunes	11 pounds.
Raisins	9 pounds.
Navy beans	23 pounds.
Beet sugar	30 pounds.
Cane sugar	5 pounds domestic product.
Peanut butter	4 pounds.

[2] Source of data is U. S. Bureau of Labor Statistics Cost of Living Survey, 1918–19.

Margins Cover Varying Items

These intermediate charges represent varying degrees of transportation, processing, and marketing. Trucking vegetables from market gardens to the nearest city is much less expensive than shipping the same kind of vegetables from Texas to New York. Practically no processing is done on eggs and potatoes, but turning wheat into crackers is a complicated matter. Costs of city wholesale and retail marketing also vary as between commodities, between cities, and between dealers. Improvements in the efficiency of marketing will tend to reduce these costs. Real improvement could result in lower prices to consumers, better income for farmers, and greater profits to those processors and dealers whose efficiency is increased the most.

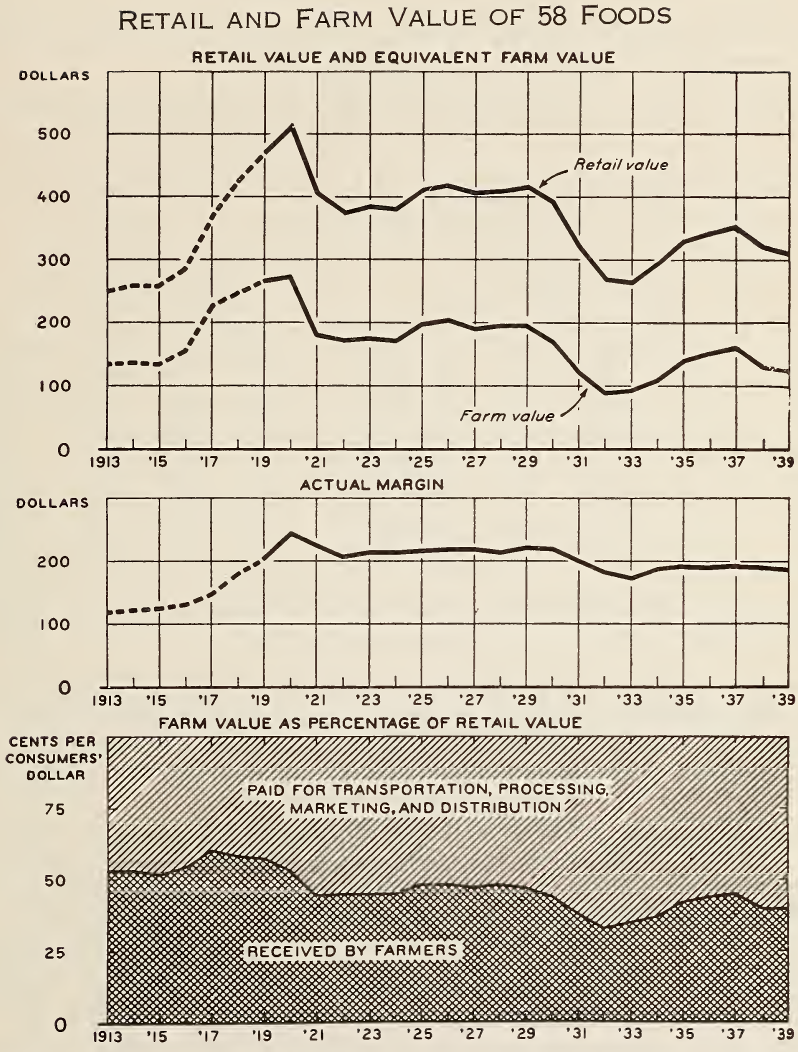

FIGURE 1.—The actual margin is the difference between farm value and retail value. The portion of the consumer's food dollar that was received by farmers was larger than 50 percent during the period 1913–20 and has been less than 50 percent since 1920. It reached its lowest point in 1932 and rose steadily from 1932 until the decline from 1937 to 1939. Before 1919 the series are based on price data for 22 to 24 of the more important foods. (The charts are based on amounts of 58 foods consumed annually by a typical workingman's family.)

Other Important Periods

Looking back, we find other periods when these questions were much to the fore. One period was between 1915 and 1920, when the margin between farmers' and consumers' prices nearly doubled in the 5 years. It rose from $124 to $242. Table 1 gives the prices paid by consumers for these 58 foods, the amounts received by farmers, and the margin or spread, for 27 years. There were 19 years in this period when expenditures made by consumers for these foods were higher than they were in 1939. But in no other years in this period have the prices to farmers fallen so low as in 1932 and 1933. In 1933 these foods cost the consumers more than in the pre-war period, whereas the farmers received substantially less for producing them.

Since the outbreak of the European war, farm prices have risen substantially, and retail prices have advanced somewhat, but the margin has shown no increase.

TABLE 1.—*Amount spent by consumer and amount received by producer, for 58 foods combined,*[1] *1913–39*

Year	Spent by consumer	Received by producer	Margin[2]	Year	Spent by consumer	Received by producer	Margin[2]
	Dollars	*Dollars*	*Dollars*		*Dollars*	*Dollars*	*Dollars*
1913	252	134	118	1927	406	190	216
1914	258	137	121	1928	407	194	213
1915	258	134	124	1929	415	195	220
1916	285	155	130	1930	391	171	220
1917	370	223	147	1931	322	121	201
1918	424	245	179	1932	270	88	182
1919	470	267	203	1933	264	92	172
1920	514	272	242	1934	295	108	187
1921	404	179	225	1935	331	138	193
1922	374	170	204	1936	342	152	190
1923	384	173	211	1937	353	160	193
1924	381	170	211	1938	321	130	191
1925	410	198	212	1939	311	126	185
1926	418	202	216				

[1] Based on amount consumed annually by a typical workingman's family. No allowance is made for processing taxes in the years 1933–35.
[2] Includes charges for transportation, processing, marketing, and distribution.

Costs and charges for transportation, processing, and marketing change only gradually and slowly. Fluctuations of prices at the farm, therefore, are proportionally wider than fluctuations in retail prices. To this fact was chiefly due the abrupt drop in the prices received by farmers during the depression of 1921 and again during the downswing from 1929 to 1933.

Byproducts Not Counted Here

The farmer's share of the consumer's food dollar may be somewhat smaller than indicated by the figures in this leaflet, for no attempt has been made to trace down the retail value of all minor products and byproducts of such commodities as wheat and livestock. If this could be done the total amount the consumer spends for the products from a bushel of wheat or from a steer would be larger than is indicated in the tables and charts here given, and the spread between farm values and retail values would be larger. But it is believed that the trends in the farmer's share of the consumer's food dollar and the year-to-year changes in his share are fairly well represented.

Many Products Considered

A wide assortment is included in the list of 58 foods, and wide variations in the farmer's share of retail price among foods are indicated. It is believed that the trends in prices and the trends in price margins or spreads shown for these items are fairly representative of food products in general. The study is based on prices of meats, poultry and dairy products, cereal products and bakery goods, several fresh and canned fruits and vegetables, and a few miscellaneous food items.

Table 2 compares the price paid by the consumer and the price received by the farmer for each of several important foods in 1939. This list shows that farmers received 56 percent of the retail price of eggs, 50 percent of the retail price of hens, and so in descending proportion through the list, down to 9 percent of the retail price of wheat cereal. Values of byproducts are not included here.

TABLE 2.—*Retail price, price to producer, and percentage of retail price received by producer, for selected foods, 1939* [1]

Food product	Retail unit	Retail price	Price to producer	Percentage of retail price received by producer
		Cents	*Cents*	*Percent*
Eggs	Dozen	32.6	18.4	56
Hens	Pound	30.1	14.9	50
Potatoes	do	2.5	1.2	48
Navy beans	do	6.2	2.9	47
Dairy products	100 pounds milk equivalent	312.0	131.0	42
White flour	Pound	3.8	1.5	39
Beet sugar	do	5.8	1.8	31
Prunes	do	9.1	2.8	31
Rice	do	7.7	2.3	30
Corn meal	do	4.6	1.3	28
Raisins	do	9.4	2.5	27
Rolled oats	do	7.1	1.6	23
Oranges	Dozen	27.9	6.2	22
Cabbage	Pound	3.6	.8	22
Onions	do	3.8	.8	21
Canned tomatoes	No. 2 can	8.6	1.4	16
Canned peas	do	13.8	2.2	16
Corn flakes	8-ounce package	7.1	1.1	15
Canned corn	No. 2 can	10.6	1.5	14
White bread	Pound	7.8	1.0	13
Baked beans	16-ounce can	7.2	.7	10
Wheat cereal	28-ounce package	24.1	2.2	9

[1] Values of byproducts obtained in processing these foods are not considered in making these comparisons.

Causes for Changes in Margin

In general, year-to-year changes in the margin between prices at the farms and in the city retail stores are due to changes in four factors: (1) In wage rates and in other cost items, (2) in profits of processors and dealers, (3) in the efficiency of the marketing system, and (4) in the degree of processing and other services.

Marketing Efficiency Offset

Hourly wages are closely related to the changes that have occurred in costs and in charges for transportation, processing, and marketing (fig. 2). There was probably some increase in efficiency of the marketing system during the years covered by the tables and charts, but, so far as prices are concerned, savings made by increased marketing efficiency were about offset by the increasing amount of processing and services between farmers and consumers.

These increases in services and conveniences are sometimes urged on consumers, but to a large extent they are demanded by consumers, and this is true to a growing degree. If they are demanded more and more, by just about that amount must we expect to see the margin between farm and retail prices increased. Offsetting factors are the possibilities for increased efficiency all along the line and the rise of cash-and-carry systems.

FOOD MARGINS AND WAGE RATES

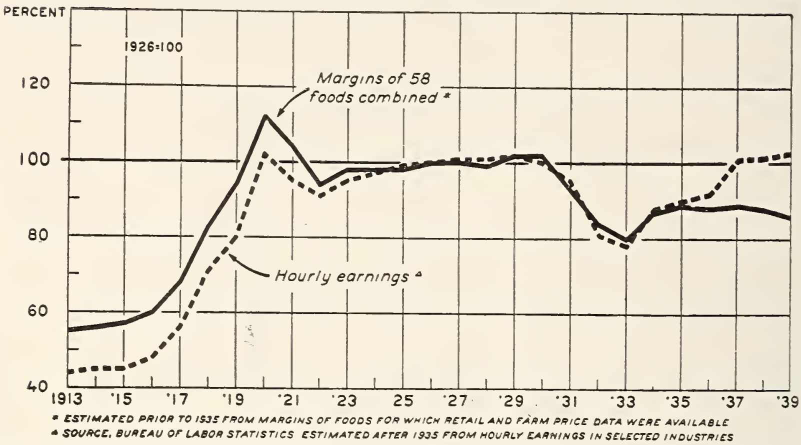

FIGURE 2.—Year-to-year changes in actual margins of 58 foods combined were similar to those in hourly earnings of wage workers except during the years 1919–22, when margins decreased relative to hourly earnings and during the last 4 years, 1936–39, when wage rates rose sharply without accompanying increase in margins.

That Question of Pyramiding

Whenever there is a substantial rise in prices of food there is discussion of "pyramiding." This discussion has been particularly active during the rise in food prices since the middle of 1933. This is partly because the increase in price was accompanied by the imposition of processing taxes on some foods and by wage increases in a number of industries. There has been debate as to whether such increased costs were pyramided or whether they were borne partially by processors and dealers. This is an involved question and one that must be studied carefully in individual cases before final conclusions can be reached. The study on which this leaflet is based indicates that if we consider average prices to all farmers and average prices paid by all consumers for foods as a whole the spread between prices at the farm and prices in the city stores was widened from the first part of 1933 through 1935 by somewhat more than enough to pay the processing taxes. In general it appears that the increased charges have been about in line with the increased costs, including processing taxes and higher wage rates. During the 4 years 1935–38 margins fluctuated very little, and apparently the removal of processing taxes was offset by increases in wage rates and other costs.

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